BOOKKEEPING

Manitoba
Industry
Trade
and Tourism

SMALL BUSINESS MANAGEMENT SYSTEMS

91-00398/

BOOKKEEPING FOR A SMALL BUSINESS IN MANITOBA

Manitoba Industry, Trade and Tourism wishes to acknowledge the cooperation of the Alberta Department of Tourism and Small Business which made its publication "Bookkeeping for a Small Business in Alberta" available for our use.

This booklet is directed at people who plan on operating a business and doing their own bookkeeping. If you have started your business or anticipate doing so in the near future, we suggest you read and implement the enclosed ideas on how to keep bookkeeping records.

The system that we outline in the following pages is simple, yet one which is applicable to many different types of business. We recognize that each business is different and suggest that you read our system and see how it can be applied to your business. If you do not feel confident about following our system, you should seek help from a professional accounting or bookkeeping service.

Overall, our bookkeeping system will attempt to keep track of various transactions as they occur. In most businesses cash flows in every day, primarily through sales and this cash is then either used directly to pay expenses or is deposited in a bank and cheques are issued. Our system will keep track of these transactions and provide an accurate record of accounts payable, accounts receivable, bank balance, sales and petty cash.

In order to make this system work for you, it is not necessary that you have extensive education or business experience. All that is required is your commitment to be thorough, to be accurate and to devote sufficient time each day to keep your bookkeeping records current.

Note To Reader

THE INDIVIDUAL/BUSINESS/CORPORATION/PARTNERSHIP (HEREINAFTER REFERRED TO AS THE CLIENT) ACKNOWLEDGES AND UNDERSTANDS THAT THE GOVERNMENT OF MANITOBA DOES NOT WARRANT OR REPRESENT THE ACCURACY, SUITABILITY OR APPLICABILITY OF THIS (ATTACHED) INFORMATION AND ASSUMES NO RESPONSIBILITY OR LIABILITY FOR THE USE THEREOF BY THE CLIENT AND ANY THIRD PARTIES AND THAT THE INTERPRETATION, USE AND APPLICATION OF SUCH INFORMATION SHALL BE THE CLIENT'S SOLE RESPONSIBILITY. THIS PUBLICATION IS TO PROVIDE BASIC INFORMATION ONLY. FOR ANY SPECIFIC DETAILS ONE SHOULD REFER TO AN ACCOUNTANT OR LAWYER.

TABLE OF CONTENTS

BOOKKEEPING 3
Financial Statements 3
Accountants 4

RECORDS 5
What Records Should Be Kept 5
Aging of Accounts Receivables 6
Will Your Books Balance? 9
Bookkeep Daily 9
Petty Cash 9
NSF Cheques 9
The Bank Reconciliation 10

PAYROLL 11
New Employers 11
How It Works 12
Employer Contribution 12
Remittance 13
Labour Standards 13
How To Pay Yourself 14

GENERAL INFORMATION 15
Manitoba Health Services Commission 15
The Workers' Compensation Board 15
Workers' Advocate 15
Human Rights 15
Unemployment Insurance, Canada Pension Plan, Income Tax 15
Manitoba Labour
Manitoba Labour Board
Conciliation and Mediation Services 15
General Tips 16
In Closing 17

BUSINESS RESOURCE CENTRE

CHAPTER ONE — BOOKKEEPING

What Is Bookkeeping?

Bookkeeping can be simply defined as the recording of the transactions of a business. Many people who start businesses are unaware of the type of bookkeeping records that should be kept. It is the purpose of this booklet to outline a workable, yet simple system for you to maintain the necessary records as you conduct business in Manitoba.

After you have read and studied this booklet you will not be an accounting expert nor will you be able to prepare your own financial statements. Instead, you will keep records in such a manner that you will have internal control over your affairs plus your records will be in such shape that an accountant can quickly and at lowest cost produce accurate financial statements.

Why Is Bookkeeping Necessary?

From time to time, the owners of a business will want to know how much money has been made or lost during a certain period. In addition, an overview of the financial position of the business is required in order that its assets, liabilities and owner's equity can be examined.

Perhaps equally as compelling a reason to maintain proper records is that the Income Tax Act, Sec. 150 (1), states that both an income statement and a balance sheet must be filed with the Minister each taxation year.

Bookkeeping is therefore inescapable. The business person who turns it into a useful management tool will be better prepared to make decisions and ultimately more successful than those who do not.

FINANCIAL STATEMENTS

The Results of Bookkeeping

From the various records that will be described in the following chapters, it will be possible to prepare what are referred to as financial statements.

Financial statements consist of two documents, a balance sheet which shows the financial position of the business at the time of the report, and an operating statement which shows how it arrived at this position.

A document which is rapidly gaining in importance is the statement of change in financial position. Accountants, bankers and management are placing increasing emphasis on this statement which shows how changes in working capital occurred over a specified time period. A statement of change in financial position is not a requirement of the Tax Act but management is increasingly using it as a tool to better profits and cash flow. You should discuss this with your accountant and weigh the benefits against the cost of having such a statement prepared.

BALANCE SHEET

A Balance Sheet is a snapshot of your business at a particular moment. It is based upon the accounting equation:

Assets = Liabilities + Owner's Equity

A very simple example of a balance sheet might be:

Any Manitoba Business
Balance Sheet
at December 31, 1989

Assets		**Liabilities**	
Cash	$ 1,200	Bank note payable	$ 6,000
Inventory	13,500	Accounts payable	5,500
Automobile	3,100		
		Equity	
		Owners equity	6,300
	$17,800		$17,800

Thus we see the equation balances and the financial situation is disclosed, at least in part.

INCOME STATEMENT

To complete the financial statement picture, it is necessary to prepare an operating statement. This is usually called a statement of profit or loss, income and expense statement or simply income statement.

Regardless of the name, it discloses how the business did *over a specified time period.*

Any Manitoba Business
Income Statement
For the year ended December 31, 1989

Sales		$66,000
Cost of Sales		25,200
Gross Profit		40,800
Expenses		
Rent	$ 9,600	
Advertising	2,100	
Interest	900	
Wages	21,500	
Travel	400	
		34,500
NET PROFIT		$ 6,300

The profit retained in the business is reflected back in the balance sheet in the owner's equity section. Thus the two statements are intertwined and together complete the financial picture of a business.

ACCOUNTANTS

What Are Accountants?

Most businesses have their financial statements prepared by a professional accountant. Few business persons feel comfortable in preparing financial statements either for internal use or tax reporting purposes. Professional accountants are constantly dealing with tax and accounting matters and, therefore, due to the complexities of today's business, businesses hire an accountant to prepare the statements and make up the income tax return.

Some accountants have professional degrees, others do not.

In Manitoba, chartered accountants (C.A.), certified general accountants (C.G.A.) and management accountants (R.I.A.) maintain associations which govern conduct, set uniform exams and keep members informed of developments within the industry.

We suggest that, unless you are well qualified through education or experience you leave the preparing of financial statements to the experts. However, how much work they do and consequently the amount of their fees depends largely on you.

Most accountants do not want to do your bookkeeping because they simply do not have the staff or the time to make the monotonous entries. Your accountant will do it if necessary. However, you will be billed on the amount of time he spends on your account and his rate is the same whether he is doing the financial statement or the day-to-day bookkeeping.

For this reason, it will pay you to do as much of the preliminary work as you can. Most accountants will actually prefer that you do the bookkeeping and allow them to get on with the highly skilled business of preparing financial statements and tax planning. Not all think this way but most do and a simple conference with your accountant will outline to you the types of records that he or she want you to keep and how they should be maintained.

Most accountants prefer to work in their own offices and expect you to deliver books and papers to them and pick them up when they have been processed. Remember the rule of thumb that your accountant's time is your money. Anything you can do which will require him to spend less time working on your behalf will lessen your accounting bill.

How Much Do Accountants Cost?

As with any business operating under a free enterprise system, there is a great variety of services and rates. Existing rates for an accountant's time in Manitoba currently ranges from $35.00 to $125.00 per hour depending upon who you talk to and the level of expertise required. The important thing is that you discuss fully with your chosen accountant what his rates are and as well receive a ball park figure for the anticipated charge in preparing your financial statements. If you are not satisfied, shop around. You are the buyer of the service; therefore, be aware of the alternatives.

Remember, too, that the cheapest is not necessarily the best in the long run. If you speak to friends or business acquaintances, they will quite often refer their accountant if they feel they are receiving proper service. If you are to make the best use of accountants, in discussion with them, you should focus on your special concerns rather than deal in generalities. Let your accountant know that you are concerned with tax planning, financing, or perhaps cash flow and the results of your conversation will be much better than if you talk about things in general.

How often should financial statements be prepared?

Only as often as management feels they are required. The very minimum would be once a year as prescribed by the Income Tax Act; however, most businesses prefer statements more often than that. Monthly, quarterly and semi-annual statements are common for many businesses, always keeping in mind that the benefits obtained by management, from reading the statements, must be balanced against the cost of having them prepared.

Most businesses should have statements prepared on at least a semi-annual basis. This is because any trends, good or bad, that are being developed will show up in financial statements. By leaving it longer than semi-annually, it might be too late to make any necessary corrections before the business suffers irreparably.

Remember, financial statements have a limited time value. In today's business world things happen fast and a financial situation can be greatly altered in just a few weeks or even days. For this reason, lending institutions will consider only statements they feel are "current" and correctly reflect the financial state of affairs.

Keep your records up-to-date and get the information into your accountant's hands as soon as possible. This makes the financial statements much more relevant to the reader and is a reflection on your competence as a business person.

If you are starting a business call your accountant in early so that you know what sort of financial records are to be kept and he knows when financial statements are to be prepared.

CHAPTER TWO — RECORDS

As you organize a bookkeeping system for your business there are four types of ledgers or forms that you will use. These are:
1) Daily cash sheet
2) Accounts receivable ledger
3) Accounts payable ledger
4) Synoptic ledger

Most retail, wholesale and service businesses make sales and receive cash each day.

If your business makes sales on a daily basis, then some sort of control must be placed on the cash received. The term 'cash' includes not just currency but cheques, money orders and credit card slips.

WHAT RECORDS SHOULD BE KEPT?

1) THE DAILY CASH SHEET

The proper control of cash is of absolute importance if the business is to be successful. Improper cash records will result in an accounting headache. It also could lead to overpaid income tax and employee dishonesty. Sloppy cash habits may prove to be a temptation someone may find unbearable. It is your money; learn how to protect it.

Sales should be recorded on the daily cash sheet, a sample of which follows as Exhibit "A":

EXHIBIT "A"
ANY MANITOBA BUSINESS
DAILY CASH SHEET

Day: Tuesday	Date: Aug. 15	Year: 1989
A. Opening Balance		100.00
Cash Collections		
Gross Sales	+425.00	
Accounts Receivable Collected	+240.00	
Other Income Collected	+ 10.00	
Less: Sales Returns	- 15.00	
Sales on Accounts Receivable	-110.00	
B. Total Cash Received Today		550.00
C. Total Cash Available (A+B)		650.00
Cash Disbursements		
Bank Deposit	426.00	
Freight	5.00	
Purchases	120.00	
Accounts Payable	0	
Miscellaneous	0	
D. Total Cash Paid Out		551.00
E. Opening Cash Float for Tomorrow		100.00
F. Total Cash Accounted for (D+E)		651.00
Cash Short or (Over) (C-F)		(1.00)

From this it can be seen that all of the cash which flows into the business each day is accounted for. Any discrepancy must be acceptable to you, the owner. If there are consistently major overages or shortages, then management must find the reason.

By studying Exhibit "A" it can be seen that total cash available of $650 is arrived at by adding the opening float to cash sales and other cash collected. The cash was then either put in the bank ($426) or used for various expenses and purchases. A $100.00 float was kept on hand for the start of tomorrow's business resulting in a cash overage of $1.00. The reason that this is considered to be an average is because $650.00 came in and $651.00 can be accounted for as going out, yet the opening position of a $100.00 float has not changed. We can account for $1.00 more than we should be able to, thus we are 'over.' Conversely, if we had taken in $650.00 yet could only account for $648.00, we would write it up as being $2.00 short.

If you do a daily cash sheet you will account each day for your cash. Don't get excited if each day you are only out small amounts. Major discrepancies are called immediately to your attention and any ongoing problem with cash will have to be eliminated before it becomes even more serious.

The frequency of bank deposits will depend upon the amount of cash that is generated by the business and the proximity of the bank. Only keep on hand the amount of cash you are prepared to lose. All banks maintain a 24 hour deposit service and it takes only a few minutes to prepare a deposit.

If the stationery store in your neighborhood does not have something resembling the daily cash sheet that we have used, check with other stores or have some made at your local printers. Remember, you will be using one every day so it does not take too long to go through a stack of four or five hundred.

2) ACCOUNTS RECEIVABLE LEDGER

If your business makes sales using accounts receivable, you should have an accounts receivable ledger.

Each customer who charges is assigned a page and these are kept alphabetically. A sample of a page from the accounts receivable ledger is as follows:

EXHIBIT B

LEDGER

NAME Customer, John

ADDRESS 1604 Any Street S.W., Winnipeg R3J 000

PHONE 261-6284

REFERENCES Bank of Montreal, Main Branch
Charge # 4523 000 000 000

DATE	REFERENCE	CHARGES	✓	CREDITS	✓	BALANCE
BALANCE FORWARDED						
Aug 15/89	INVOICE 7145	110.00				110.00
Aug 18/89	CREDIT NOTE #14			12.00		98.00
Aug 26/89	INVOICE 7216	342.00				440.00
Sept 16/89	CHEQUE # 924			200.00		240.00

Each customer's name, address and telephone number are clearly stated at the top of each page. What follows is a history of the credit business you have conducted with this customer. In this example, Mr. John Customer charged items totalling $110.00 on August 15th, returned $12.00 of the items to our shop on August 18th, charged additional items for $342.00 on August 26th and finally mailed us a cheque for $200.00 on September 16th leaving a balance of $240.00.

At a glance you can see what his balance is, what volumes of business he has charged as well as what sort of repayment time period is involved with this particular customer.

By merely adding up the balance on each card, you will be able to quickly determine how much is owed by those to whom you have given credit privileges.

The ledger cards should be kept in alphabetical order in a separate binder or tray. That way they are easy to find and control.

This type of ledger is available at most stationery stores and is inexpensive.

AGING OF ACCOUNTS RECEIVABLES

Each month the accounts receivable should be "aged". This means all the accounts are listed and the total balance owed by each customer is divided up into what amounts are current, over 30 days, over 60 days and over 90 days.

This form immediately shows you, the manager, which of your accounts receivable are overdue and will require extra collection efforts. If you are using a General Assignment of Book Debts as security for a line of credit from a chartered bank, it is almost a certainty that each month the bank will request an aged list of accounts receivable.

An example of such a list would be as follows:

Aged List of Accounts Receivable
as at September 20, 1989

Customer	Current	Over 30	Over 60	Over 90
Abigail Apple	16.50	64.18		
Bruce Biscuit		3,532.82		
John Customer	240.00			
Fly by Night Airlines				416.00
Semi-Slow Payers Ltd.		64.50	82.10	
Rubber Cheque Co.	10.40			61.10
TOTAL	266.90	3,661.50	82.10	477.10

This analysis shows two accounts in the over 90 day column which may result in being written off to bad debts. Additional credit should not be given to such accounts unless there are very extenuating circumstances.

Both you and your bank will be interested in which accounts are delinquent and what percentage of the total receivables they represent.

3) ACCOUNTS PAYABLE LEDGER

Each supplier of any goods or service that your business purchases from and agrees to pay at a later date would have a page in an Accounts Payable Ledger.

The accounts of this ledger will be filed alphabetically and an example of this is shown below:

EXHIBIT C

LEDGER

NAME ABC Company

ADDRESS 2120 Main Street, Brandon, Manitoba

PHONE 274-0000

REFERENCES Bob Brown - President
Lee Lewis - Salesman

DATE	REFERENCE	CHARGES	✓	CREDITS	✓	BALANCE
BALANCE FORWARDED						
AUG 15/89	INVOICE 6901	910.00				910.00
AUG 26/89	INVOICE 7214	312.00				1222.00
SEPT 12/89	CHEQUE #214			416.00		806.00

It is easy to see that in this particular example on August 15th we purchased $910.00 and on August 20th a further $312.00. On September 12th we sent a cheque in the amount of $416.00 leaving a balance of $806.00.

We can see at a glance how much we owe each individual company and as well see when we last sent a cheque to a particular supplier. Any disputes regarding payment of invoices, cheques mailed, etc., can be solved much quicker if such a system is maintained.

To find the total owing to all the creditors, add the various balances. This will give an accurate and up-to-date total if these ledger cards are posted on a daily basis.

Both accounts payable and accounts receivable ledgers must have three columns on each page — charges, payments and balance.

The pages in the ledgers can be loose leaf pages, cards or anything else. The only thing that is important is that it be orderly and contain sufficient information.

If you are not satisfied with the ledger pages used in these exhibits, design your own or find one which better suits your needs.

4) THE SYNOPTIC LEDGER

There is a way the bookkeeping records can be combined or condensed in order that some control is exercised and you do not have ledgers in every drawer of your office.

In fact, most small businesses have but one journal, a "Synoptic", which is derived from Greek meaning "see everything at once." This ledger is sometimes called a Combined Journal or Combined Ledger.

The number of columns the ledger will have depends upon the scope of the business and how often the various types of transactions occur.

In the following example, a ledger using 28 columns is used. There are 14 columns on a page and the ledger is merely opened to double the columns. This type of ledger is available at most stationery stores at reasonable cost. Pages can easily be added thus the ledger will last for an indefinite period regardless of the number of entries made.

EXHIBIT 'D'

	1989		CHQ NO.	CASH IN	CASH OUT	CASH BAL	BANK IN	BANK OUT	BANK BAL	ACCOUNTS RECEIVABLE SALES	RETURNS	CHARGE	PAYMENT	BAL	ACCOUNTS PAYABLE CHARGE	PAYMENT	BAL
1		BALANCE FORWARD				10000			211864					448760			347119
2	AUG 15	DAILY CASH SHEET		55000	55100	10000	42600		254464	42500	1500	11800	24000	435760			347119
3	"	CASH OVER															
4	"	ABC COMPANY													9100		438119
5	"	SMITH AND CO.	47					7200	183264							7120	366919
6	"	STANLEY LANDLORD	48					50000	133264								
7	"	RECEIVER GENERAL	49					31210	102054								
8	"	EQUIPMENT SALES LTD	50					40000	62054								
9	"	LARRY JONES	51					14826	47228								
10	"	N.S.F. C. RAMSCHE						2165	45063			2165		437935			
11	"	N.S.F. I SEEYALATER						3850	41213								
12																	
13																	
14																	
15																	
16																	
17																	
18																	

Line 1 Since we are assuming this is an existing business and not one starting up on this day, there are balances to be carried forward:

Cash on hand to start the day's business was	$ 100.00
Balance at the bank was	2,118.64
Total accounts receivable were	4,487.60
Total accounts payable were	3,471.19

NOTE: The columns for accounts payable and accounts receivable act as a control for each of the ledgers containing the various accounts. In other words, if you added up all of the individual accounts in the receivable ledger it should total $4,487.60 and similarly the payables should total $3,471.19.

Line 2 All relevant numbers from the daily cash sheet are entered into the synoptic ledger each day. Check the example of the daily cash sheet on page 5 and you will readily see where the numbers on this line come from.

Line 3 Each day there may be cash over or cash short. Again this number comes from the daily cash sheet and is either treated as other income or miscellaneous expense.

Line 4 Goods were received from ABC Company totalling $910. Accounts payable increased $910 as did the individual page for ABC Company in the accounts payable ledger. A further entry of $910 is made under the purchases column to signify it was a purchase and not an expense.

Line 5 Cheque #47 in the amount of $712 was sent to Smith and Company to pay for something which had been charged previously. A corresponding entry for the $712 payment would also be made on the Smith and Co. ledger card in the accounts payable ledger.

Line 6 Cheque #48 was given to Stanley Landlord to cover the August rent. A brief notation at the right of the ledger page outlines what the expense was about.

Line 7 Cheque #49 remitted the employees payroll deductions to the Receiver General. Payroll will be covered in detail in Chapter 3 of this booklet.

Line 8 Equipment in the amount of $400 was purchased and paid for from Equipment Sales Ltd.

Line 9 Cheque given to employee for week's wages. Employees and payroll are discussed in detail in Chapter 3.

This would conclude the entries for August 15th. The next business day the same procedure would be repeated.

1. Post from the daily cash sheet
2. Post invoices charged to supplier
3. Write up all cheques issued.

WILL YOUR BOOKS BALANCE?

The daily cash sheet accounts for the movement of cash, both in and out. The synoptic journal accounts for all cheques issued plus items charged on accounts.

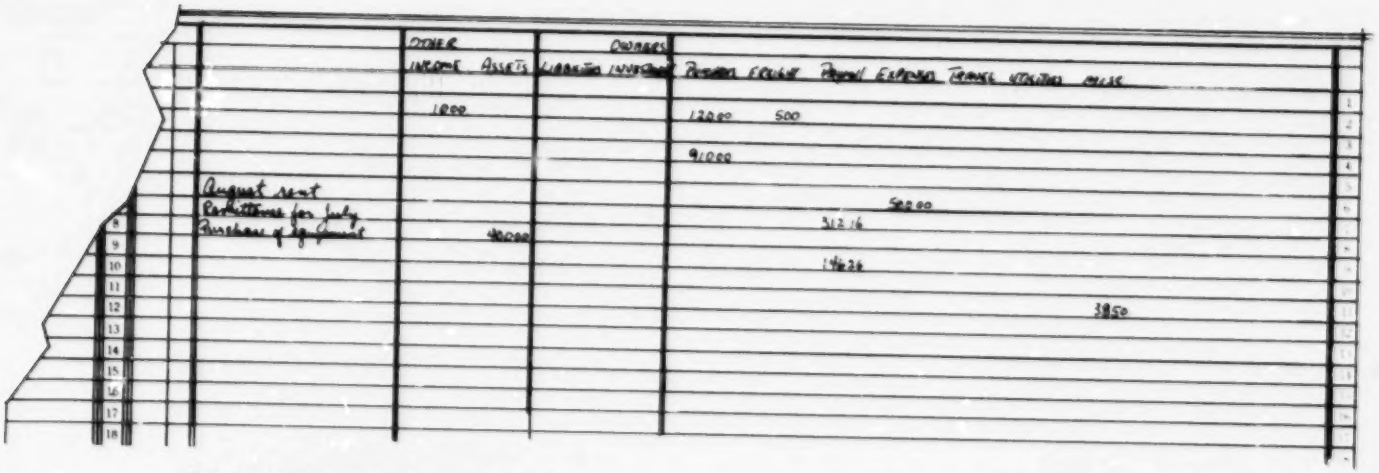
The above procedure represents the more tedious aspect of bookkeeping. Few people actually look forward to posting entries in the various ledgers and so they tend to put it off. Make a habit of doing it each day, say every morning before you have coffee. If the bookkeeping is done daily it only takes a few minutes.

Just because you do not like doing it, does not mean you can put it off and eventually the problem will go away. Instead the problem will get worse. The fact of the matter is that as you become more familiar with the record-keeping of your business you will become a better informed manager.

There is nothing else the books can do but balance if you write down every transaction as described above. Tips to ensure your books will balance are:

1) Transfer all the items from the Daily Cash Sheet
2) Post in Synoptic Ledger, the cash over or short
3) Post changes in accounts payable
4) Post all cheques written

Make little explanations where room permits on the ledger. This may help the accountant prepare the financial statements if a more detailed explanation is given.



The four "Balance" columns of cash, bank, accounts receivable and accounts payable should agree to actual counts.

Accountants traditionally have dealt in "debits" and "credits" and in so doing have brought confusion, mystery and acid indigestion into accounting. Do not concern yourself with such terminology. Make certain that each cheque is fully explained on the synoptic and that each daily cash sheet is properly posted and you cannot go far wrong.

BOOKKEEP DAILY

Balance each line — know where the money went or where it came from so that it never becomes a big job to find an error.

Stay on top of it or, instead of being a useful management tool, it will become an uncontrollable inaccurate mess. If you do not have the time or the ability to do the bookkeeping, then other arrangements must be made. Professional bookkeeping services are available if you cannot do it yourself. Consult either the yellow pages or discuss the problem with your accountant to find an affordable and satisfactory solution.

PETTY CASH

There are those businesses that do not ordinarily deal in cash. These businesses tend to deal mostly with cheques or credit cards.

Occasionally cash is required for something such as postage stamps or another can of coffee. How then is this to be handled?

A cheque for some small amount say, $50.00 is made payable to Petty Cash. The actual money is then placed in a cash box and left in the care of a trusted individual for safekeeping. It is from this cash that minor amounts such as postage or coffee are paid. When the cash supply is running low replenish it to the amount of receipts on hand.

If you use Petty Cash to pay for something, always get a receipt. If no receipt is possible, make a notation of what the money was used for and place it in the cash box with other receipts.

Thus the cash and receipts in the cash box should always total to the amount of the petty cash float. Each time the cash is replenished the receipts are removed, grouped in the various categories and placed in an envelope, perhaps with the category totals written on the outside of the envelope.

In the synoptic ledger, the balancing entry for the cheque being written will be to miscellaneous expense.

NSF CHEQUES

Every now and then you will take a cheque from someone which is subsequently returned by the bank as being "NSF". When you are informed by your bank that such an item has been charged to your account you must make bookkeeping entries to take care of it.

If the customer who has written the NSF cheque operates as one of those who has a charge account, the entries on the synoptic ledger accounts would resemble those on Line 10 of our synoptic ledger found in Exhibit D. Imagine our regular charge account customer Mr. C. Bouncing has written a cheque for $21.65 which the bank has now returned as NSF. On the synoptic ledger we take $21.65 out of our bank balance and show our accounts receivable as increasing by that amount. Since Mr. C. Bouncing is a regular charge account customer, we would pull his card from the accounts receivable ledger and increase his balance by the $21.65. It might be wise to make notation in red ink beside the entry so that if he attempts to purchase again on credit you will be tipped off that his cheques are not to be trusted.

The entry is only slightly different if the NSF cheque writer is not one of our regular charge accounts. Examine Line 11 of the synoptic in Exhibit D. Our bank has informed us that a cheque for $38.50 written by Mr. I. Seeyalater has been returned as NSF. Take the $38.50 out of the bank balance and show it as a miscellaneous expense. Should Mr. I. Seeyalater make his cheque good at some future time either by bringing in currency or informing us that this cheque can now be certified and redeposited, this extra cash will appear on that day's Daily Cash Sheet. A special notation would be made to indicate where this extra cash came from and the synoptic column for miscellaneous expense would show a negative amount of $38.50 indicating the expense has been recovered.

THE BANK RECONCILIATION

The bank balance as shown on the synoptic ledger can be verified each month when you receive your cancelled cheques from the bank.

Follow these simple steps each month and you will be reconciled with the bank. This means elimination of NSF cheques you didn't mean to write and leaving credit balances in current accounts when the funds should be sent to interest-charging creditors.

1.	Last Balance as per bank		xxxxx
	Add: Deposits made since	xxx	
		xxx	
		xxx	
		xxx	
	Sub Total		xxxxx
	Less: Outstanding cheques		
		xxx	
		xx	
		x	
		xxx	
	Reconciled Balance		

CHAPTER THREE — PAYROLL

All but the very smallest of businesses will, at least from time to time, employ persons other than the owners.

These employees will expect to be paid and it is up to you as their employer not only to keep track of how much you pay them but also to hold back and remit part of their salaries directly to the government to cover Income Taxes, Canada Pension Plan and Unemployment Insurance.

Every employer is required by law to remit these amounts to Revenue Canada along with the employer contributions no later than the 15th day of the month following the month in which the employee received his renumeration. The simplest method of keeping track of your employees is to purchase a book in which the hours they work plus the applicable deductions can be recorded.

NEW EMPLOYERS

Most employees are paid on an hourly basis and it is common practice for them to receive their pay weekly, bi-weekly or semi-monthly. The proper type of book for recording hours worked for the pay period is available at any of the major stationery stores. If you are an employer for the first time you should immediately contact Revenue Canada and request the necessary forms. In Manitoba, you can call toll-free for information (1-800-282-8079) or write to:

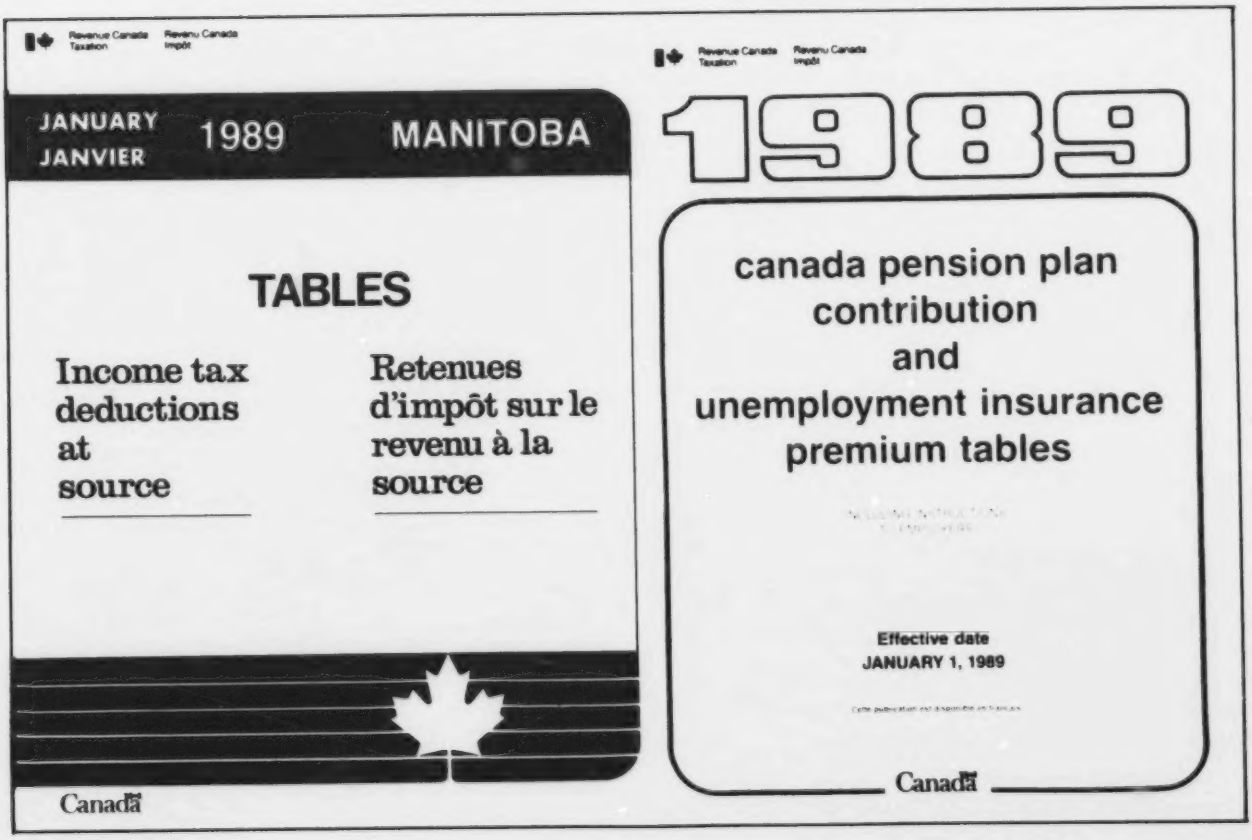
Revenue Canada
391 York Avenue
Winnipeg, Manitoba
R3C 0P5
983-6350

or

Winnipeg Taxation Centre
Winnipeg, Manitoba
R3C 3M2
(concerning income tax returns)

Request tables which will determine the amount of contribution to deduct for each employee's salary, wage or other renumeration.

The tables for 1989 were enclosed in booklets which looked as follows:



HOW IT WORKS

Periodically, the tables are updated to reflect changes in taxation rates and once you are registered the updated booklets will be mailed directly to you.

Imagine that you have three employees, one of whom works only part-time. You have decided to pay the staff each week and accordingly have purchased a payroll book for weekly pay periods.

An example of a typical week might look as shown in Exhibit "E".

Thus the cheque given to Larry Jones for $159.13 will represent the net amount of the gross ($162.00) minus the deductions ($12.87).

You must enclose with the employee's cheque, a payroll record, a copy of which is shown as Exhibit "F". These are available at any stationery store and give the employee a record of what deductions were made on his behalf.

EXHIBIT "E"

TIME, WEEK ENDING August 11 **19 89**

NO	NAMES	S	M	T	W	T	F	S	TOTAL TIME	RATE	TOTAL AMOUNT	INCOME TAX	BONUS	UNEMPLOYMENT INSURANCE	LIFE INSURANCE	PENSION PLAN CONTRIBUTIONS	CANADA PENSION PLAN	SAVINGS PLAN	TOTAL DEDUCTIONS	NET AMOUNT	REMARKS—RECEIVED PAYMENT
	Jones, Larry		7	7	7	8			36	4.50	162.00	7.40		3.16			2.31		12.87	159.13	
	Peters, Robert		8	8	8	8	8		40	5.00	200.00	18.95		3.96			3.11		25.02	174.98	
	Smith, Mary				4	4	4		12	6.00	72.00	⊖		1.38			.82		1.20	70.80	

The hours for each of the three employees are totalled and their gross pay is determined by multiplying the hours by the rate of pay. In the case of employee Larry Jones, the gross pay for the week is (36 hrs. × $4.50) = $162.00

Turning to the source of deduction tables for 1989, it can quickly be determined that for a weekly wage of $162.00, the following deductions are made:

Canada Pension Plan	$2.31
Unemployment Insurance	3.16
	5.47

Income tax deductions are on taxable income only, not on gross income. In this example:

Gross Income	$162.00
Minus Canada Pension Plan	2.31
Minus Unemployment Insurance	3.16
Taxable Income	$156.53

Now by looking at the table for income tax deductions on a weekly basis where the income is $159.13, it can be seen that the income tax deduction should be $7.40. The deductions from Larry Jones' gross pay are therefore:

Canada Pension Plan	$2.31
Unemployment Insurance	3.16
Income Tax	7.40
	$12.87

EMPLOYER CONTRIBUTION

NEW REMITTERS AND EMPLOYER NUMBER

If you are a new employer or have not remitted deductions on behalf of your employees before, do not delay the remittance until you obtain an employer number. You should send a certified cheque or money order payable to the Receiver General for Canada to your District Taxation Office, with a letter on your business letterhead explaining that this is a new remittance. Indicate the pay period covered by the remittance, give the employer's exact name and address under which the account is to be kept, and specify the amounts applicable to Income Tax, Canada Pension Plan contributions and Unemployment Insurance premiums.

The remittance must be made by the 15th day of the month following the month in which the renumeration was paid to the employees.

When your remittance is acknowledged, a form PD20 "Employer Registration" will be sent to you to complete and return.

EXHIBIT "F"

PAYROLL RECORD

No. Period AUG. 11/89

NAME LARRY JONES

Wages	$ 162.00	
Overtime	$	
Holiday Pay	$	
TOTAL WAGES		$ 162.00
DEDUCTIONS		
INCOME TAX EXEMPT		
1. Company Pension	$	
2. Canada Pension Plan	$ 2.31	
3. Unemployment Ins	$ 3.16	
TOTAL		$ 5.47
TAXABLE INCOME		$ 156.53
4. Income Tax	$ 7.40	
5. Hospitalization Ins.	$	
6. Savings Bonds	$	
7. Group Ins	$	
8.	$	
9	$	
TOTAL		$ 7.40
NET WAGES		$ 149.13

Cheque Number 51

REMITTANCE

HOW MUCH DO YOU REMIT EACH MONTH TO THE RECEIVER GENERAL FOR YOUR EMPLOYEES?

Before the 15th of the month following the month in which the deduction was made, it is your responsibility to remit certain amounts to the Receiver General:

1. All of the Income Tax, Unemployment Insurance and Canada Pension Plan contributions deducted from your employees

PLUS

2. The employer must match the Canada Pension Plan contributions of his employees

PLUS

3. The employer must pay 1.4 times the employees' Unemployment Insurance contributions. For example, if the total of all employees' contributions for a month was $90.72, the employer's contribution will be (1.4 x $90.72) which is $127.01.

Every person carrying on a business in Canada is required by law to keep records and books on account for Income Tax, Canada Pension Plan and Unemployment Insurance purposes. These records must include enough information to determine the correct contributions and premiums to deduct from your employees. The payroll record book will suffice.

It must be done; therefore, do it right and save yourself time and trouble.

LABOUR STANDARDS

A concise outline of provincial laws affecting employers is given in a pamphlet entitled "A Guide to Manitoba Labour Laws and Related Information", available from:

The Employment Standards Branch
Room 609, Norquay Building
401 York Avenue
Winnipeg, Manitoba
R3C 0P8

Telephone: 945-3352

Highlights are given below, however, for reference recourse please refer to the related Act or Regulation, which is available from the Queen's Printer, 200 Vaughan Street, Winnipeg, Manitoba, R3C 1T5 or from the appropriate Branch of Manitoba Labour.

1. Payroll Records

Payroll records must be maintained at the place of business in Manitoba. Records must include all necessary information and should be retained for 5 years.

2. Standard Hours of Work

The standard hours of work for an employee is eight hours per day and forty hours per week. Exceptions to these hours can be made through collective agreements and by order from the Manitoba Labour Board.

3. Overtime

Where employees work for more than the standard hours, they are entitled to be paid overtime rates for each hour or part of an hour they are required to work. The standard overtime rate in Manitoba is one and one half times the regular rate of pay and generally overtime is paid for all hours worked after eight hours in a day and forty hours in a week.

4. Paid General Holidays

There are seven paid general holidays. These are: New Year's Day, Good Friday, Victoria Day, Dominion Day, Labour Day, Thanksgiving Day and Christmas Day.

6. Vacations With Pay

If employees have worked for an employer and have put in ninety-five percent of the regular working time, they have the right to a vacation of two weeks with regular pay. (Regular working time does not include vacation time or, up to a maximum of thirty working days, time off due to illness or absence authorized by the employer.)

If employees haven't worked ninety-five percent of the regular working hours they don't have the right to time off for a vacation. However, they still have a right to vacation pay — that is four percent of regular earnings for that year, excluding overtime.

Employees who are let go or who quit before completing one year of service, must receive four percent of total regular earnings, as vacation pay.

If employees have worked for the same employer for at least fifty percent of the regular working hours in each of four years in the preceding ten years, they may have a right to three weeks vacation with pay. This right depends on whether the employee has worked the ninety-five percent of regular working time in the fifth year and so on each year following.

If these requirements are not met, the employee does not have the right to three weeks off, but still has the right to vacation pay equal to six percent of total regular earnings, provided the fifth year is completed and all other requirements are met.

7. Maternity Leave

Every female employee who has completed twelve consecutive months of employment with an employer is entitled to be granted seventeen weeks of unpaid leave of absence for maternity leave.

To qualify for maternity leave, a pregnant employee should give her employer an application, in writing, at least four weeks before the day which she intends to commence leave. As well, a certificate from a medical practitioner certifying that she is pregnant and specifying the estimated date of her delivery must be presented to the employer.

At the end of the maternity leave, an employee who wishes to resume employment must be re-instated by her employer in the same position she occupied at the commencement of her leave or in a comparable position with not less than the same wages and benefits.

HOW TO PAY YOURSELF

There is not much point in operating a business if you cannot enjoy the profit it makes. Generally speaking, the owner of the business is usually the last one paid, yet the hope of an excellent income is one of the major reasons why you start your own business.

A good business manager would never place an unrealistic management salary burden on a fledgling business, however we all have obligations and your salary or drawings must be included in the projected cash flows of the business.

If your business is incorporated, you too are an employee. Therefore, determine what your salary will be and then make the deductions for Canada Pension Plan, Unemployment Insurance and Income Tax, just as you do for all other employees.

As a shareholder in an incorporated business, it may be to your advantage to take part of this income in the form of dividends as opposed to salary. Before filing your annual income tax return you should discuss this with your accountant and have him/her determine what mix of salary and dividends will result in the greatest tax savings.

If your business operates as a proprietorship or a partnership, you as the owner will still like to get paid. Any funds that you take out of the business are called a "drawing".

Income Tax and Canada Pension Plan contributions are based upon profit before drawings. During the first year of operation no payments are remitted for either until a fiscal year end has been declared and an Income Statement prepared.

During subsequent years Revenue Canada will expect monthly payments toward income tax and Canada Pension Plan. However, since there is no precedence to base payments for the first year, it is allowed to remain payment-free until the first income statement is prepared.

CHAPTER FOUR — GENERAL INFORMATION

The Workers Compensation Board

Employers in the majority of industries in Manitoba are required to register with the Workers Compensation Board. Some of the operations or industries which do not fall within the compulsory provisions of the Workers Compensation Act are farming, landscaping, financial institutions, real estate, and other undertakings in which office work as a business, as opposed to office work connected with an industry under the Act, is carried on. Office workers employed by various professionals and by non-profit religious, charitable, social or fraternal organizations are not usually protected by the Act.

If you are planning to commence business operations you should contact the Workers Compensation Board by letter or telephone, or visit the Board's offices, to determine your status. You will be required to register with the Workers Compensation Board prior to employing them, even on a casual basis, in an industry which falls under the compulsory provisions of the Act.

If your industry does not come within the compulsory provisions of the Act but you wish to have your employees covered for Workers Compensation, you may make a special application to the Board. The application will be subject to Board approval.

If employees are hurt because of an accident at work, they can claim for, at least, part of their wages while they are off work, and their medical and drug expenses.

For more information contact:

The Workers Compensation Board of Manitoba
100-696 Portage Avenue
Winnipeg, Manitoba
R3G 1M2
Telephone: 786-5471 in Winnipeg or
toll-free 1-800-362-3340 in Manitoba

The Manitoba Advisory Office

The Manitoba Advisory Office assists persons with assessment claims and appeals, in cases where benefits have been denied under Workers Compensation Act.

For assistance contact:

The Workers Advisory Office
311 Balmoral
Winnipeg, Manitoba
R3C 4A8
Telephone: 945-5787

Human Rights

Manitoba Labour is not responsible for ensuring that the human rights' laws are upheld. Concerns about human rights should be taken to:

Manitoba Human Rights Commission
301-259 Portage Avenue
Winnipeg, Manitoba R3B 2A9
Telephone: 945-3007

Unemployment Insurance, Canada Pension Plan, Income Tax

Unemployment Insurance, Canada Pension Plan and Income Tax deduction guidelines are determined by the Federal Government. For information regarding these areas please contact:

Revenue Canada Taxation
391 York Avenue
Winnipeg, Manitoba R3C 0P5
Telephone: 983-6350

For information on the regulations pertaining to Unemployment Insurance Benefits, please contact:

Unemployment Insurance Commission
344 Edmonton Street
Winnipeg, Manitoba R3C 3E6
Telephone: 983-4662

Manitoba Labour — Other Related Services

The Manitoba Labour Board is responsible for adjudicating on matters under dispute between employers and employees respecting labour practices and the payment of wages. The Board also handles applications for union certification, amendments to certificates and revocation of certification.

Manitoba Labour Board
Room 404 Power Building
428 Portage Avenue
Winnipeg, Manitoba R3C 0E2
Telephone: 945-3783

Conciliation and Mediation Services assists labour and management with the collective bargaining process by offering consultative services. Meetings are set up with both parties when they have failed to consumate an agreement through direct negotiations. Conciliation and Mediation Services advise on areas of compromise until the goal of a mutually acceptable collective agreement is reached.

Conciliation and Mediation Services
Room 606 Norquay Building
401 York Avenue
Winnipeg, Manitoba R3C 0P8
Telephone: 945-3367

General Tips

Remember that your accountant's time is your money. The more organized you are when you take your books to the accountant, the less time he will spend sorting things out and, accordingly, he will charge you less.

Do not throw away your cancelled cheques. Usually your cancelled cheque is your only receipt that an account has been paid and if you destroy it you are destroying your proof of payment. Keep the cheques together with the bank statement which accompanied them. Do not sort the cheques numerically, alphabetically, or any other way. Leave them as they are.

File your copy of your sales invoice either numerically or by customer, whichever is more convenient. From time to time these will be used to look up invoice totals, stock numbers or quantities ordered.

Keep a file of all invoices and bills that are paid. This is usually done in order of the cheque number that paid the bill or filed according to supplier. By using one of these systems you will always be able to show which invoice was paid with which cheque.

It is highly advisable that you perform a bank reconcilation each month as discussed in Chapter 2.

Discuss your financial statements with your accountant. Make sure that you understand what the various numbers represent. Accountants sometimes are accused of not providing enough counselling to clients. Perhaps you can help this situation by asking the first question.

Remember you are running a business and if you are to keep track of its financial affairs, they must be separate from your personal affairs. Be sure to open a separate bank account for the business and use it only for business. Imagine the horrendous mess there will be if your personal bank payments, grocery bills and clothing purchases were intermingled with payments to suppliers, employee wages and other business expenses through the same bank account. If you require funds, write yourself a cheque on the business account and deposit it in your personal account.

It is easier to keep track of transactions if you pay by cheque. The cheque is easy to record and the cancelled cheque can act as a receipt.

It is advisable to make detailed deposit slips and keep a copy for yourself. These act as a record of revenue or involvement by the owner.

If you are starting a new business or have an existing business that is not as profitable as you had hoped it to be, don't be afraid to ask for help. A good place to start is the nearest office of the Business Resource Centre Manitoba Industry, Trade and Tourism. Experienced business analysts will consult with you and make recommendations as to how your business can better achieve the goals and profitability you hope for. Contact the Business Resource Centre for assistance.

IN CLOSING

This, and other publications in this series, with examples and explanations, have been published by the Business Resource Centre to help and encourage Manitobans who wish to embark or improve on business ventures in the manufacturing, retail, service and construction fields. If you would like to discuss any aspect of your business, feel free to call the Centre collect and arrange to meet with one of our counsellors.

Manitoba Industry, Trade and Tourism
Business Resource Centre
6th Floor, 155 Carlton Street
Winnipeg, Manitoba, CANADA
R3C 3H8
Telephone: (204) 945-7738
Toll Free in Manitoba: 1-800-282-8069

Manitoba Industry, Trade and Tourism
Western Regional Office
P.O. Box 1300
231-10th Street
Brandon, Manitoba, CANADA
R7A 6N1
Telephone: (204) 1-726-6250
Fax: (204) 726-6403